

GRANT COUNTY, WASHINGTON
January 1, 1995 Through December 31, 1995

Schedule Of Findings

1. The County Should Comply With The Local Policy Over Investments

In 1994, the county adopted an investment policy and established a county investment pool. County funds and the funds of participating municipalities are invested in the pool. On June 30, 1996, the pool had a book value of approximately \$96 million. The pool is managed by the county treasurer, regulated by a county finance committee, and subject to the county's investment policy.

In response to prior audit recommendations, the county's investment policy was amended. However, our current examination disclosed that the county is still not in compliance with its own investment policy. The following areas of noncompliance were noted:

- a. Section 6 requires that new brokers/dealers receive the approval of the county finance committee. The treasurer is to maintain a list of the financial institutions authorized to provide investment services.

The treasurer did not maintain a list of authorized financial institutions.

- b. Section 6 also requires brokers/dealers to submit audited financial statements, a completed county broker/dealer questionnaire, and certification that the county's investment policy was read. These documents are used to evaluate the financial condition of brokers/dealers and to determine qualified bidders for investment transactions.

The treasurer did not develop or distribute a broker/dealer questionnaire. Audited financial statements and certification were on file for only one of the six broker/dealers in which the county invests.

- c. Section 6 further requires the treasurer to conduct an annual review of the financial condition and registrations of qualified bidders.

We found no evidence that the treasurer conducted annual reviews.

- d. Section 10 states in part:

. . . in order to preserve liquidity and to lessen market risk, the monthly weighted average to final maturity for the county investment pool shall not be over 650 days. The monthly

weighted average to final maturity for the entire portfolio shall not be over 730 days (2 years)

As of June 30, 1996, the weighted average to final maturity for the county investment pool was 741 days. This is 91 days over the established limit. In addition, the weighted average to final maturity for the county's entire portfolio, which includes the county investment pool, was 783 days. This is 53 days over the established limit.

The county's investment policy is designed to achieve the objectives of safety (preservation of capital), liquidity (able to meet all operating requirements) and return (attain a market rate). Failure to comply with the policy exposes county investment pool members to a higher level of market risk.

We recommend the county treasurer:

- a. Review and retain information on financial institutions and brokers/dealers in accordance with the county's investment policy.
- b. Comply with the maturity limits established by the county's investment policy.

2. Grant County Should Comply With Paths And Trails Reserve Fund Requirements

During our audit of Grant County, we noted that the Paths and Trails Reserve Fund is not being expended in a timely manner. Reserves of \$323,330 are being held in the fund. \$41,660 has been held for more than ten years.

RCW 47.30.050 states in part:

The amount expended by a city (on trails for pedestrians, equestrians, or bicyclists) . . . shall never in any one fiscal year be less than one-half of one percent of the total amount of funds received from the motor vehicle fund . . . Provided further, That a city . . . in lieu of expending the funds each year may credit the funds to a financial reserve or special fund, to be held for not more than ten years

The county was notified of this requirement in the prior audit and no action toward compliance was taken.

The county has not used the paths and trails reserve for any projects since 1992. Two projects are being considered for 1996. However, these projects have not yet been approved.

The county's noncompliance denies the public recreational trails and safe paths away from motor vehicle traffic.

We again recommend Grant County comply with state law and fund eligible projects with the paths and trails reserve.